

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 789 - SB 767

February 20, 2023

SUMMARY OF BILL: Increases over a five-year period, from 4.603 percent to 5.0909 percent, the percentage of state sales and use tax revenue allocated to Tennessee municipalities. Reduces over a five-year period, from 29.0141 percent to 28.5262 percent, the percentage of state sales and use tax revenue allocated to the General Fund. Increases over a five-year period, from 4.603 percent to 5.0909 percent, the allocation to Gatlinburg, Pigeon Forge, and to River Resort Districts. Increases the amount allocated to the Municipal Technical Advisory Service (MTAS), from 1.0 percent of the current 4.603 percent allocation to municipalities, to 1.0 percent of the current fiscal year percent allocation to municipalities. The first year impacted by the proposed changes is FY24-25.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$137,900/FY24-25/MTAS
\$220,500/FY25-26/MTAS
\$330,800/FY26-27/MTAS
\$441,100/FY27-28/MTAS
\$551,400/FY28-29 and Subsequent Years/MTAS**

**Decrease State Revenue – \$13,788,300/FY24-25/General Fund
\$22,050,000/FY25-26/General Fund
\$33,080,700/FY26-27/General Fund
\$44,111,400/FY27-28/General Fund
\$55,142,000/FY28-29 and Subsequent Years
/General Fund**

**Increase Local Revenue – \$13,650,400/FY24-25
\$21,829,500/FY25-26
\$32,749,900/FY26-27
\$43,670,200/FY27-28
\$54,590,600/FY28-29 and Subsequent Years**

Assumptions:

Decrease in State Revenue

- Fiscal Review Committee staff estimates sales and use tax collections to be \$14,467,000,000 in FY23-24. This amount is assumed to remain constant into perpetuity.
- Approximately 21.878 percent of collections are specifically earmarked, while 78.122 percent of collections is subject to the allocation outlined in Tenn. Code Ann. § 67-6-103(a).
- Therefore, \$11,301,909,740 ($\$14,467,000,000 \times 78.122\%$) is subject to such allocation.
- Under current law, total current apportionments to the General Fund are estimated to be \$3,279,147,394 ($\$11,301,909,740 \times 29.0141\%$) in FY23-24. This remains true under the proposed legislation as well.
- Pursuant to the proposed legislation, total apportionments to the General Fund are estimated to be:
 - \$3,265,359,064 ($\$11,301,909,740 \times 28.8921\%$) in FY24-25.
 - \$3,257,097,368 ($\$11,301,909,740 \times 28.8190\%$) in FY25-26.
 - \$3,246,066,704 ($\$11,301,909,740 \times 28.7214\%$) in FY26-27.
 - \$3,235,036,040 ($\$11,301,909,740 \times 28.6238\%$) in FY27-28.
 - \$3,224,005,376 ($\$11,301,909,740 \times 28.5262\%$) in FY28-29 and subsequent years.
- The decrease in apportionments to the General Fund is estimated to be:
 - \$13,788,330 ($\$3,279,147,394 - \$3,265,359,064$) in FY24-25.
 - \$22,050,026 ($\$3,279,147,394 - \$3,257,097,368$) in FY25-26.
 - \$33,080,690 ($\$3,279,147,394 - \$3,246,066,704$) in FY26-27.
 - \$44,111,354 ($\$3,279,147,394 - \$3,235,036,040$) in FY27-28.
 - \$55,142,018 ($\$3,279,147,394 - \$3,224,005,376$) in FY28-29 and subsequent years.

Increase in MTAS and Local Revenue

- Under current law, municipalities are allocated 4.603 percent of such apportionments, or an estimated \$520,226,905 ($\$11,301,909,740 \times 4.603\%$) in FY23-24. This remains true under the proposed legislation as well.
- Pursuant to the proposed legislation, total apportionment to municipalities are estimated to be:
 - \$534,015,235 ($\$11,301,909,740 \times 4.7250\%$) in FY24-25.
 - \$542,276,931 ($\$11,301,909,740 \times 4.7981\%$) in FY25-26.
 - \$553,307,595 ($\$11,301,909,740 \times 4.8957\%$) in FY26-27.
 - \$564,338,259 ($\$11,301,909,740 \times 4.9933\%$) in FY27-28.
 - \$575,368,923 ($\$11,301,909,740 \times 5.0909\%$) in FY28-29 and subsequent years
- The total increase in allocations are estimated to be:
 - \$13,788,330 ($\$534,015,235 - \$520,226,905$) in FY24-25.
 - \$22,050,026 ($\$542,276,931 - \$520,226,905$) in FY25-26.
 - \$33,080,690 ($\$553,307,595 - \$520,226,905$) in FY26-27.
 - \$44,111,354 ($\$564,338,259 - \$520,226,905$) in FY27-28.
 - \$55,142,018 ($\$575,368,923 - \$520,226,905$) in FY28-29 and subsequent years.

- The increase in state revenue to MTAS is estimated to be:
 - \$137,883 (\$13,788,330 x 1.0%) in FY24-25.
 - \$220,500 (\$22,050,026 x 1.0%) in FY25-26.
 - \$330,807 (\$33,080,690 x 1.0%) in FY26-27.
 - \$441,114 (\$44,111,354 x 1.0%) in FY27-28.
 - \$551,420 (\$55,142,018 x 1.0%) in FY28-29 and subsequent years.
- The total increase in local government revenue is estimated to be:
 - \$13,650,447 (\$13,788,330 - \$137,883) in FY24-25.
 - \$21,829,526 (\$22,050,026 - \$220,500) in FY25-26.
 - \$32,749,883 (\$33,080,690 - \$330,807) in FY26-27.
 - \$43,670,240 (\$44,111,354 - \$441,114) in FY27-28.
 - \$54,590,598 (\$55,142,018 - \$551,420) in FY28-29 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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